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SUBJ: FY-75 IN-STORE PROMOTIONS: LA STANDA AND LA RINASCENTE

FOR COMMERCE (JOHNSON & LINDSTROM)

ROME PLEASE PASS ZUCCA AND BEUKENKAMP

REF: TATGE-JOHNSON TELECON 2/14/74; STATE 041318 (NOTAL);

LINDSTROM-CRAFTS TELECON

SUMMARY: STANDA - PUSHED BY KIRBY BLOCK - REQUESTS FUNDING AT 100,000 DOLLAR LEVEL. CONFIRMS TO POST INTENTION PURCHASE ABOUT 3.6 MILLION DOLLARS. LA RINASCENTE STATES IT NOW TOO LATE ENVISAGE PROMOTION FOR OCTOBER 1974. BY END OF APRIL LA RINASCENTE WISHES LETTER FROM POST CONTAINING COMMITMENT FOR PROMOTION IN OCTOBER/NOVEMBER 1975. LA RINASCENTE EXPECTS TO BE ABLE CONVINCE 200 PLUS OUTLET UPIM DIVISION ALSO PARTICIPATE IN PROMOTION. POSSIBILITY OF TIE-INS WITH SOME TYPE OF USDA PROMOTIONS RAISED. ACTION REQUESTED: FINAL RESPONSE TO NEW STANDA REQUEST; AUTHORIZATION TO ISSUE SOME SORT OF LETTER TO LA RINASCENTE; ADVISE AS TO FEASIBILITY OF USDA TIE-INS. END SUMMARY.

1. WE RECENTLY DISCUSSED IN-STORE PROMOTION WITH ROGER ROLFE, SUPERVISOR FOREIGN MARKET RESEARCH, LA STANDA, WHO ACCOMPANIED BY VICTOR NOTRICA, VICE PRESIDENT, KIRBY BLOCK, MARKETING SERVICES. WE OUTLINED COMMERCE DECISION FUND DOLLARS 50,000 BASED ON LA STANDA PURCHASE DOLLARS 3.6 MILLION FOB OF U.S. CONSUMER GOODS. STANDA (REALLY UNCLASSIFIED UNCLASSIFIED

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READ NOTRICA OF KIRBY BLOCK) CAME BACK WITH COUNTER PROPOSAL OF DOLLARS 100,000 FOR 3.6 MILLION DOLLARS OF PURCHASES.

STANDA STATED THAT THEY IN REALITY PARENT COMPANY FOR FOUR DISTINCT DIVISIONS EACH WITH DIFFERENT CLIENTELE, MODUS OPERANDI, AND MARKETING AND ADVERTISING METHODS AND THAT REQUEST FOR 100,000 DOLLARS BASED ON 25,000 FOR EACH DIVISION. FOUR DIVISIONS ARE: STANDA, STANDA JUNIOR, EUROMERCATO, AND INGROS. STANDA FIRMLY COMMITTED TO FEBRUARY 1975 TIME FRAME, AS MAIN THRUST THEIR BUYING WILL BE IN WHITE GOODS FOR SALE OF WHICH JANUARY/FEBRUARY BEST MONTHS. HOWEVER AS WILL BE SEEN BELOW, QUESTION OF TIMING NO LONGER POSES PROBLEMS. STANDA NOW PLANS MOUNT PROMOTION IN "ABOUT 70 STANDA STORES SELECTED BOTH FOR THEIR LOCATION AND SIZE."

2. COMMENTS: STANDA, THROUGH VICTOR NOTRICA OF KIRBY BLOCK, IS EXTREMELY WELL INFORMED AS TO COMMERCE FUNDING VIS A VIS FOB PURCHASE LEVELS IN PAST AND SCHEDULED IN-STORE PROMOTIONS; E.G., THEY KNEW FUNDING LEVEL OF JAPANESE IN-STORE PROMOTION AND HOW MUCH WAS PURCHASED. THEY ALSO WELL INFORMED OF SOME CURRENT COMMERCE THINKING; WHEN REPORTING OFFICER, DRAWING ON TATGE-JOHNSON TELECON, MENTIONED AT END OF SESSION THAT "LIMIT IS 50,000 DOLLARS, BUT" HE GOT NO FURTHER, AS NOTRICA BROKE IN TO SAY, "YES, I KNOW, 50,000 DOLLARS AND AT THE OUTSIDE 60,000" BOTH FROST AND RIZZO ARE SURE THAT NO RPT NO MENTION WAS MADE OF POSSIBLE PURCHASES AT THE 6 MILLION DOLLAR LEVEL, AS DISCUSSED IN LINDSTROM-CRAFTS TELECON. IF THIS SUM REALLY PLANNED, IT SOMETHING SUBSEQUENTLY WORKED OUT BETWEEN ROLFE AND NOTRICA AND NOT COORDINATED WITH US. ROLFE NOW OUT OF COUNTRY AND WE UNABLE CONFIRM. ALL IN ALL WE GOT IMPRESSION THAT STANDA HAS ALREADY STARTED ITS PURCHASES AND WOULD NOT RPT NOT HOLD OUT FOR 100,000 FUNDING, ALTHOUGH THEY MIGHT INSIST ON SOME SWEETENING OF POT.

3. AS COMMERCE NO DOUBT AWARE, MANY STANDA STORES ALSO HAVE FOOD DEPARTMENTS. WE WONDER WHETHER OVERALL PUBLICITY BUDGET MIGHT NOT BE ENLARGED BY ARRANGING WITH USDA FOR SOME FORM OF CONCURRENT IN-STORE FOOD PROMOTION? WE HAVE NOT MENTIONED THIS POSSIBILITY TO STANDA.

4. WE ALSO HAD MEETING WITH DOMENICO LONGO DENTE OF LA RINASCENTE. AS WE HAD FEARED (SEE MILAN'S A-145, DEC. 4, UNCLASSIFIED UNCLASSIFIED

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1973 AND MILAN TC 0074) LONGO DENTE STATED IT NOW TOO LATE FOR HIS STORE ORGANIZE PROMOTION FOR OCTOBER 1974, ESPECIALLY AS LA RINASCENTE IS JUST LEARNING HOW TO WORK WITH ITS NEW US PURCHASING AGENT (MAY MERCHANDISING COMPANY) AND STRONG DEVALUATION OF LIRA VIS-A-VIS THE DOLLAR REQUIRES MORE CAREFUL PURCHASING. LONGO DENTE STILL INTERESTED IN IDEA OF PROMOTION, HOWEVER, AND IS NOW THINKING IN TERMS OF OCTOBER/NOVEMBER 1975 (FY-76). IN THIS CONNECTION HE REQUESTED WRITTEN STATEMENT FROM CONSULATE GENERAL TO EFFECT THAT DEPARTMENT OF COMMERCE WILLING MAKE COMMITMENT FOR PROMOTION IN FALL 1975.

LONGO DENTE REQUESTED THIS COMMITMENT BY END APRIL THIS YEAR, AS HE PLANNING BUYING AND INVESTIGATIVE TRIP TO US DURING MAY. ARMED WITH COMMITMENT, HE EXPECTS BE ABLE INTEREST MANAGEMENT OF UPIM DIVISION OF LA RINASCENTE-UPIM GROUP TO ALSO TAKE PART IN PROMOTION.

5. COMMENT: THE DECISION BY LA RINASCENTE NOT TO PARTICIPATE IN FY-75 SOLVES THE TIMING CONFLICT BETWEEN IT AND STANDA. WE ALSO WONDER WHETHER FUNDS THUS RELEASED MIGHT NOT BE USED TO MEET STANDA'S REQUEST FOR INCREASED FUNDING PART WAY? NOW THAT THERE IS NO CONFLICT WE ENVISAGE THE POSSIBILITY OF WORKING WITH STANDA IN SUCH A WAY AS TO USE FOR OUR MUTUAL BENEFIT THE CASUAL-WARE JEEP IN DECEMBER 1974 AS A "KICK-OFF" FOR THE SUBSEQUENT STANDA IN-STORE PROMOTION. WE WERE MOST ENCOURAGED BY THIS FIRST SIGN OF INTEREST, EVEN THOUGH TENTATIVE, IN PARTICIPATION BY BOTH THE DEPARTMENT AND THE VARIETY STORE BRANCHES OF THE LA RINASCENTE-UPIM GROUP. AS UPIM HAS OVER 200 OUTLETS, EVEN THE PURCHASE OF A FEW SEPARATE ITEMS COULD RESULT IN LARGE TOTAL SALES. HOWEVER, AS UPIM IS A LOWER PRICE CHAIN, THE NEED FOR LONG LEAD TIME IS ESPECIALLY IMPORTANT. AS THE GROUP ALSO HAS A FOOD DIVISION (SMAU), WE ALSO WONDER WHETHER A TIE-IN WITH A USDA PROMOTION COULD BE CONSIDERED IN THIS CASE?

6. ACTION REQUESTED: THE DEPARTMENT OF COMMERCE IS REQUESTED AS SOON AS POSSIBLE TO RESPOND IN ONE WAY OR ANOTHER TO LA STANDA'S REQUEST FOR FUNDING AT THE 100,000 DOLLAR LEVEL. BY THE END OF APRIL AUTHORIZATION IS ALSO REQUESTED TO ISSUE TO THE LA RINASCENTE-UPIM GROUP A LETTER OF AGREEMENT IN PRINCIPLE, IF A FIRMER LETTER OF INTENT IS NOT POSSIBLE AT THIS TIME, FOR A PROMOTION IN OCTOBER/NOVEMBER 1975.
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WE WOULD ALSO HOPE FOR SOME ADVICE AS TO THE FEASIBILITY OF A TIE-IN WITH USDA FOR THE STANDA AND LA RINASCENTE PROMOTIONS.
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